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STATE PASS USTR -- PATRICK COLEMAN

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SUBJECT: TREASURY UNDER SECRETARY TAYLOR AND GHANA TRADE  
MINISTER DISCUSS KIGALI MEETING OF AFRICAN TRADE MINISTERS

REF: ACCRA 1200

#### Summary

1. (SBU) Treasury Under Secretary John Taylor met May 31 with Trade Minister Alan Kyerematen, who had just returned from the African Union trade ministers' meeting in Kigali. Responding to recent U.S. and EU WTO proposals, the ministers drafted an African strategy for WTO negotiations. It calls for special/differential treatment, greater market access, and a timeline for cuts in agricultural subsidies. Kyerematen complained that the trade component in Poverty Reduction Strategy Papers (PRSP) is weak and applauded the MCA's emphasis on growth. Ghana plans to urge faster trade liberalization at the ECOWAS heads of state level. End Summary.

#### Kigali Consensus

2. (SBU) Kyerematen said African trade ministers developed a proposal for a post-Cancun strategy ) the "Kigali consensus" ) that calls for enhanced market access for African products and for specific timelines for reducing and eliminating trade distorting supports for agriculture. The ministers wanted to capitalize on recent U.S. and EU indications of flexibility, and the idea was to come up with a useful proposal that could move the process forward.

3. (SBU) African countries are unable to take advantage of market opportunities, Kyerematen said, because of non-tariff barriers ) sanitary and phytosanitary (SPS) and technical barriers to trade (TBT). He asked the U.S. to provide more technical assistance to improve African businesses ability to meet these difficult developed world requirements. Taylor responded that the U.S. has emphasized trade capacity building.

4. (SBU) Kyerematen said the Kigali consensus calls for definite timelines for eliminating agricultural export subsidies, which the African ministers realize the U.S. supports, and also for reducing domestic supports and subsidies. Taylor responded that the U.S. proposal includes increasing market access, eliminating export subsidies and reducing domestic supports, but accepted Kyerematen's point that the African ministers were looking for set timelines. Kyerematen commented that the EU is prepared to eliminate trade distorting supports on products important to developing countries, postponing broader reductions. However, he agreed with Taylor that the point is for developing countries to eventually become developed, so the African countries do not want the EU to develop a fixed list of products that cannot be expanded.

5. (SBU) On tariff escalation, Kyerematen said the ministers understand the U.S. and EU want developing countries to bind tariffs at present levels. The Kigali proposal reiterates calls for special and differential treatment, to allow developing countries to build industrial capacity. He added that the ministers expected the EU and U.S. would not pressure African countries for immediate or rapid tariff reductions.

6. (SBU) Kyerematen was less clear on the Kigali ministers' position on cotton. They apparently agreed to consolidate it into the overall agricultural talks. However, they proposed including it on the priority list and setting a set time period for elimination of developed country supports to the sector ) three years for subsidies and four years for domestic supports. (Note: Kyerematen told econoff June 7 that he understands the U.S. has agreed to the principle of time limits, but was not sure if the U.S. had accepted a set timeframe. End Note) His only comment regarding Singapore issues was that the general consensus was to negotiate on trade facilitation and postpone the other three issues.

#### ECOWAS Trade Liberalization

7. (SBU) Ghana is concerned that Nigerian trade barriers and export expansion grants are interfering with ECOWAS trade liberalization efforts. Kyerematen asserted that the GoG is committed to the ECOWAS common market and will raise this at

the next heads of state meeting.

#### Pro-Growth Strategies, Trade, and the MCA

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18. (SBU) Kyerematen complained that pro-growth strategies, especially the trade component of economic development, are under-represented in PRSPs, which stress poverty reduction and social programs. Taylor agreed, adding that growth and trade were also not main features of the UN's Millennium Development Goals. Kyerematen was pleased to hear U/S Taylor state that growth is at the heart of the MCA. (Note: U/S Taylor's MCA discussions reported reftel. End Note)

19. (SBU) Kyerematen pointed to the Kufuor administration's Presidential Special Initiatives as an example of the GoG's policies to promote growth. He disputed criticism that the initiative is government intervention in the economy, or "picking winners," as is commonly alleged. Rather, he called it government engagement in strategic sectors to foment export-driven growth and employment generation. The GoG is focusing on industrial starch, using cassava, oil palm products, and industrial salt. He hopes the salt industry will serve as the basis for developing a chemicals industry in Ghana. Kyerematen called it "government engineering" of the economy: the GoG is helping to identify bottlenecks, organize farmers into cooperatives, and assisting SMEs to access technology, financing and professional management.

10. (SBU) Despite the GoG's efforts, private sector investment, especially foreign direct investment, is growing slowly. Kyerematen blamed this on collateral damage from regional instability, which makes it especially difficult to attract small and medium sized investment from the U.S. and Europe. He asked the U.S. to help Ghana improve its image by promoting success stories. Ambassador Yates reiterated a comment she has delivered before to Kyerematen that Ghana has a perception problem: many investors believe it does not have a welcoming investment climate. (Comment: As usual, Kyerematen misunderstood the Ambassador's criticism of the investment environment. Rather than accept this as an area the GoG should work on, he blamed the problem on investors' lack of information on Ghana. End Comment)

11. (SBU) Kyerematen criticized donors for not really understanding or supporting the private sector, and mentioned that he has requested assistance from the U.S. Small Business Administration (SBA). He said the SBA has agreed to visit Ghana to explore ways to provide assistance. Taylor agreed that many donors are more focused on poverty alleviation, but pointed out that in addition to the MCA focus on growth, IDA funding can now be used to support the private sector, since SME lending was negotiated into IDA 13 (for the first time).

Yates